



CAPSTONE
ASSET MANAGEMENT™

CAPSTONE
PRIVATE HIGH INCOME POOL



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In a diversified portfolio, including assets that have low correlation with each other is critical to managing risk. However, as clearly proven during the 2008 debt crisis, the markets are more interconnected than ever – finding unique securities with such correlations within traditional markets has become difficult, impacting overall portfolio risk. Furthermore, with a low interest rate environment providing little reward for lower risk investments, it requires creativity and thorough analysis to build a diversified investment portfolio with risk appropriate returns.

The introduction of non-traditional asset classes to a portfolio is one method of incorporating assets that can reduce the overall risk due to their lower correlation with the traditional markets. At Capstone we find non-traditional assets that can reduce portfolio risk and volatility, while providing stable cash flows.

The private debt market offers a broad range of asset opportunities with which to accomplish these mandates. This is a market that Capstone has successfully invested in throughout the years in a number of our investment strategies.



This strategy seeks to invest in private debt assets that are primarily asset backed, or secured against a real asset, and provide stable cash flow. While having a North American focus, the flexibility exists to look globally to build a portfolio of both direct participations and alliances with strategic partners.

The private debt market typically has high barriers to entry which is a key source of the yield premium that is one of its characteristics. By actively managing a diversified portfolio of investments within the broad private debt market, the strategy will create a portfolio with low correlation to traditional assets along with an above average yield. Additionally, the focus on opportunities that are primarily secured by tangible assets seeks to reduce the portfolio's risk and provide a real source of collateral.

This Pool should be viewed as a medium to higher risk component of your overall portfolio due to the less liquid nature of some underlying investments and its mandate to source higher yielding assets. This makes the Pool suitable for those with a medium to long time horizon and a medium to high risk tolerance. It is also eligible to be held in registered plans (such as RRSPs and TFSAs).

CAPSTONE'S SOLID EXPERIENCE IN THIS
ARENA, COUPLED WITH THE KNOWN
APPETITE FOR HIGH INCOME PRODUCING
ASSETS, HAS LED TO THE CREATION OF THE
CAPSTONE PRIVATE HIGH INCOME POOL.

THE FUND MANAGER

Established in 2004 and headquartered in Langley, British Columbia, Capstone Asset Management serves a broad client base including private clients, foundations, and institutions. Through Pooled Funds and Limited Partnerships, Capstone provides investors with effective portfolio diversification by offering a broad array of investments within and outside traditional markets.

Capstone is the Fund Manager and Portfolio Manager of the Capstone Fixed Income Pool. Upon the identification of an investment opportunity, a rigorous due diligence process is completed by the Investment Management Team. The suitability is then assessed by the voting members of the firm's Investment Committee, and a full review is completed by the firm's Compliance Team.

ACCESSING THE POOL

The Capstone Private High Income Pool will form a key component of many of our clients' discretionary portfolios, but it can also be accessed as a standalone investment, subject to certain conditions. It is also available to institutional investors.

HOW RISKY IS IT?

Capstone has rated this Pool as medium to high risk. We consider the investment approval process to be disciplined and thorough with demonstrable security of an underlying asset in most cases. Please see the Information Memorandum for further information on the specific risks of this Pool.

WHAT IS THE TARGET RATE OF RETURN?

The Pool seeks to provide a long term annualized rate of return in excess of 8%.

DISTRIBUTIONS

- › Occur quarterly
- › Are reinvested as additional units unless requested as cash
- › Are comprised primarily of interest income

BENEFITS

- › Pooled Fund structure enables funding of multiple diverse opportunities thereby reducing overall risk
- › High level of regular cash flow
- › Monthly valuation and liquidity*
- › Low correlation to traditional asset classes

* Modest early redemption penalties apply – see Information Memorandum for details.





Capstone Asset Management Inc. is a Portfolio Manager, Investment Fund Manager and Exempt Market Dealer active in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia and Newfoundland & Labrador.

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